



## Press Clipping Article

**Title:** Ag fund gets unexpected influx of cash

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**Lead:**

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Earlier this year, the head of the agency that oversees the state's Agricultural Development Fund was predicting there would be fewer dollars available for farm diversification projects in 2007.

But on Monday, the Governor's Office of Agricultural Policy announced it had received \$9.1 million more than anticipated this year from tobacco companies.

In January, Keith Rogers, head of the agricultural policy office, said tobacco companies that pay into the Master Settlement Agreement were disputing the amount they were required to pay. Cigarette companies agreed to make payments to states years ago to settle lawsuits states had filed over smoking-related illnesses.

Half of that money is put into the Agricultural Development Fund, which is used to finance farm enterprises that make farmers less dependent on tobacco income.

Last April, several companies withheld a portion of their settlement payments, claiming the states were not upholding the agreement.

Joel Neaveill, deputy director for administration for the Governor's Office of Agricultural Policy, said one of the major players in the dispute, Philip Morris USA, decided to make its payment after all. Philip Morris made the full payment although the company is still disputing the amount it must pay.

"They said, 'It's not that we're not disputing it, we are, but we're not going to the length of (putting the money into) an escrow account,' " Neaveill said.

In addition, smaller companies that were disputing having to participate in the Master Settlement Agreement decided to make settlement payments rather than continue the fight in court, Neaveill said.

The third reason there is more money than expected is not necessarily good news.

Tobacco company payments are based at least in part on cigarette consumption. It was assumed the amount companies paid states would decline over time as cigarette consumption decreased.

However, the decline in cigarette consumption in 2006 was less than estimated, Neaveill said.

"The rate people reduced their consumption was not as rapid as expected," he said.

The agricultural policy office had originally allocated \$15.5 million from the fund to finance farm enterprises on the county level. With the additional money, \$18.6 will be available. An additional \$5.9 million will be available at the state level to fund "model programs" that promote livestock production and other farm projects.

The money is available for the 2006-07 fiscal year, but farmers will not have to scramble for dollars between now and June 30, when the fiscal year ends.

"You don't have to use it by the end of the fiscal year. It does carry forward," Neaveill said.

According to a press release from the Kentucky Department of Agriculture, more than \$236 million has been awarded to farmers from the fund since its creation.

"This unexpected funding will enable the Agricultural Development Board to fund more projects," state Agriculture Commissioner Richie Farmer said in the release.

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